

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of

End User Common Line Charges

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CC Docket No. 95-72

DOCKET FILE COPY ORIGINAL

**REPLY OF**  
**SOUTHWESTERN BELL TELEPHONE COMPANY**

Southwestern Bell Telephone Company (SWBT) files this Reply in response to GTE and MCI's Comments on the Non-Traffic Sensitive (NTS) cost data requested by the FCC and filed by the Bell Operating Companies (BOCs) in this proceeding.<sup>1</sup>

I. **BACKGROUND**

On September 29, 1995, the Commission requested that the BOCs submit cost data similar to that filed by US West in an Ex Parte submission on August 4, 1995. Although the need for such data remained questionable, the BOCs complied with the Commission's verbal request and provided the cost data. Due to the competitive nature of these product

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<sup>1</sup> Comments of GTE, dated October 30, 1995. Comments of MCI, dated October 30, 1995.

lines and the competitive nature of the substitutable services which are based on similar technology, SWBT sought confidential treatment for its cost information under the Freedom of Information Act (FOIA).<sup>2</sup>

II. MCI's INTEREST IN GAINING ACCESS TO THIS COST DATA IS COMPETITIVELY DRIVEN.

MCI makes a quantum leap by alleging that seeking confidential treatment for highly sensitive cost data in a competitive market is the same as "self-deregulation".<sup>3</sup> This is nonsense. The cost data filed under confidential cover is fully reviewed and scrutinized by the Commission. It is not clear why MCI feels that the Commission is not capable of conducting this review satisfactorily, and why MCI's review would result in anything different than the Commission's review. The only logical explanation is that MCI seeks to gain access to SWBT's data for competitive advantage.

Other BOCs' cost filings provided evidence that the BOCs no longer operate in homogeneous environments. As competition expands there will be fewer similarities in how the BOCs operate and manage their competitive products and services. The data requested by MCI, if released, would provide sensitive cost information to SWBT's competitors, but provide nothing to support the notion that a "cost ratio" approach is a suitable solution.

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<sup>2</sup> 5 U.S.C. § 552(b)(4).

<sup>3</sup> MCI Comments, p. 2.

III. A "COST RATIO" APPROACH WOULD ACCOMPLISH NOTHING TOWARD A MORE ECONOMICALLY RATIONAL RECOVERY OF NTS.

SWBT agrees with GTE<sup>4</sup> that the use of the cost ratio approach proposed in the NPRM would neither aid competitive development in the interstate access market nor ensure fair competitive ground rules.<sup>5</sup>

The data submitted by the Local Exchange Carriers (LECs) in response to the Commission's data request is not appropriate for determining Subscriber Line Charges (SLCs). The interstate loop cost recovered by the SLC is an arbitrary amount based on 25 percent of the total unseparated loop cost. As GTE points out, the BOCs' cost submissions confirmed that the cost ratio cannot be developed using existing separations records.<sup>6</sup> Thus, the cost ratio would have to be based on new separations data, requiring tremendous resources and effort. If the Commission were to engage in its cost ratio approach, it therefore would not further the Commission's goal of establishing a fair and competitive telecommunications market, but would harm the BOCs by adding significant new burdens to existing regulatory requirements.

SWBT agrees with GTE that the cost data provided by the BOCs further demonstrates that the cost ratio for loops used for ISDN Primary Rate Interface service -- compared to loops used for single line services -- is small.<sup>7</sup> Thus, the data is further proof

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<sup>4</sup> Comments of GTE, p. 3.

<sup>5</sup> NPRM, para. 15.

<sup>6</sup> Comments of GTE, pp. 4-5.

<sup>7</sup> Comments of GTE, pp. 9-10. For example, Bell Atlantic's ratio is 3.37, Pacific Bell's is 4.67, Ameritech's is 5.68.

that using the cost ratio is no better than a simpler approach, such as applying one SLC per service.

IV. ONE SLC PER LOCAL EXCHANGE SERVICE IS THE MOST APPROPRIATE SHORT TERM APPROACH.

The Commission has already announced its intention to initiate, in the near future, a separate proceeding on access charge reform to address end user common line charges.<sup>8</sup> Therefore, conclusions drawn from the limited record in this docket are likely to be subject to further examination within that more comprehensive review. Any outcome of this proceeding will be interim at best. The Commission should thus, in this docket, require the application of one SLC per service -- the prevailing method of SLC application in the industry today. This approach would minimize the impact on existing customers, while maintaining the current level of NTS loop cost recovery for most carriers. Additionally, the application of one SLC per service is technology-neutral, which promotes the introduction of new services, and is compatible with a competitive marketplace.

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<sup>8</sup> CC Docket No. 94-1, In the Matter of Price Cap Performance Review for Local Exchange Carriers, para. 31, p. 17.

V. CONCLUSION

For the reasons discussed above, the Commission should require the application of one SLC per service.

Respectfully submitted,

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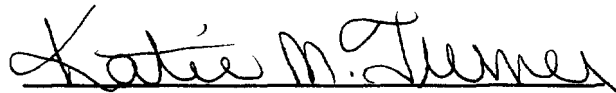
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November 6, 1995

**CERTIFICATE OF SERVICE**

I, Katie M. Turner, hereby certify that the foregoing, "Reply of Southwestern Bell Telephone Company" in Docket No. 95-72 has been filed this 6th day of November, 1995 to the Parties of Record.

A handwritten signature in cursive script, reading "Katie M. Turner", written over a horizontal line.

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